



State-wise Foreign Direct Investment (FDI) Flows and Economic Impacts in India: A Comparative Study (2019-2024)

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Abstraction

This study examines the economic effects of foreign direct investment (FDI) flows in India by state from 2019 to 2024. The study used data from official sources like India-Briefing, data.gov.in, and DPIIT. The analysis found that about 70% of all FDI inflows into the nation went to the states of Delhi, Gujarat, Karnataka, and Maharashtra. These states' high levels of infrastructure, industrial policies, and investment facilitation are anticipated to draw foreign direct investment. Inflows of FDI have grown quickly. On the other hand, North and Northeast Indian states have seen little FDI inflows. According to the study, GDP, industrial production, and job creation have all benefited from increased FDI. State-by-state disparity is still a significant problem, though. These results indicate that policy changes, the development of industrial clusters, and improved investment promotion systems are necessary for states that receive low levels of foreign direct investment. All things considered, this study offers guidance for future economic policies and paints a realistic picture of India's state-by-state and sector-by-state investment flows.

Keywords: foreign direct investment (FDI) inflows, state-by-state analysis, GDP growth, economic growth, industrial production, job creation, comparative analysis, policy interventions, investment incentives, and regional disparities.

1. Overview

India's economy is among the fastest-growing in the world. The nation has become a desirable location for foreign direct investment (FDI) since 2015. FDI is a crucial economic tool that speeds up a nation's industrial development, technological advancement, and job creation. It is not just about capital inflows. Modern technology, effective management techniques, and global market competitiveness are some of the ways that foreign direct investment (FDI) increases a nation's ability to compete in the global marketplace.

With programs like "Make in India," "Digital India," "Start-up India," and "Atmanirbhar Bharat Abhiyan," the Indian government has been working harder to encourage foreign investment since 2019. The investment climate in India has also been improved by policy initiatives like "Ease of Doing Business," tax breaks, and Special Economic Zones (SEZs). Consequently, there has been a consistent rise in the nation's overall foreign direct investment.

States have not, however, benefited equally from this investment. A significant portion of all FDI inflows have gone to the states of Delhi, Gujarat, Karnataka, and Maharashtra. The infrastructure, industrial policies, and investment promotion mechanisms of these states are comparatively robust. However, FDI inflows have been restricted in states such as Bihar, Jharkhand, Madhya Pradesh, and Northeast India, mainly because of a lack of market access, administrative obstacles, and infrastructure.

Understanding state-by-state FDI inflows and their effects on the economy is crucial. These kinds of studies can pinpoint the reasons behind regional differences and create sensible policy solutions for states that receive less foreign direct investment. In light of this, the current study compares the economic effects of foreign direct investment inflows by state in India between 2019 and 2024.

2. Goals of the Research

- 1) To examine FDI inflows into India by state from 2019 to 2024.
- 2) To assess how states with high and low FDI receipts perform economically.
- 3) To determine the main elements that attract investment.
- 4) To offer suggestions for policy.

3. Methods of Research

Secondary data served as the foundation for this study. The sources of the data are:

- 1) The Department for Promotion of Industry and Internal Trade, or DPIIT
- 2) The open data portal of the Government of India, data.gov.in
- 3) India-Briefing Report (2024)
- 4) New Indian Express, The Economic Times (2023–24 FDI Report)

This information is calculated as FDI equity inflows (in US dollars) for the 2019–20–2023–2024 timeframe. Both state-by-state comparison and trend analysis were applied.

Table No-01

India's State-by-State FDI Equity Inflows (2019–2024)

State	2019–20	2020–21	2021–22	2022–23	2023–24	Total (USD Million)	Source
Maharashtra	8,083	12,226	14,429	14,806	15,116	64,660	DPIIT / <i>India-Briefing</i>
Karnataka	8,479	16,255	22,000	10,429	6,571	63,734	DPIIT / <i>India-Briefing</i>
Gujarat	2,070	3,446	2,660	4,714	7,300	20,190	DPIIT / <i>New Indian Express</i>
Delhi (NCR)	6,402	9,815	8,600	7,534	6,523	38,874	DPIIT
Tamil Nadu	1,598	1,892	2,182	2,169	2,436	10,277	DPIIT
Telangana	770	1,105	1,653	1,244	1,002	5,774	DPIIT
West Bengal	350	392	418	512	601	2,273	data.gov.in
Other States (Combined)	—	—	—	—	—	≈15,000	Consolidated Average

Note: All figures are expressed in US dollars (USD) million. Official FDI data sources and DPIIT reports serve as the basis for the estimates.

Citation:

- 1) FDI Fact Sheet 2024, Department for Promotion of Industry and Internal Trade (DPIIT)
- 2) A Briefing Report on FDI Inflows to India (2024)
- 3) FDI Trends by State, The New Indian Express (2024)
- 4) State-wise FDI Data Portal, data.gov.in (2024)
- 5) Bulletin of the Reserve Bank of India (RBI), 2024

5. Evaluation

- 1) Between 2019 and 2024, Karnataka and Maharashtra accounted for almost half of all foreign direct investment (FDI) in the nation, making them the two states driving India's industrial expansion.
- 2) Gujarat is now a hub for new investments, particularly in manufacturing and green energy, after seeing a 55% increase in foreign direct investment (FDI) in 2023–2024.
- 3) The Delhi-NCR area has become a top destination for financial, IT, and service industries.
- 4) Research and development, electronics, IT, and start-up investments have all grown significantly in the South Indian states of Karnataka, Tamil Nadu, Telangana, and Andhra Pradesh.
- 5) The largest foreign direct investment (FDI) is found in manufacturing, autos, pharmaceuticals, and financial services in Western India (Maharashtra, Gujarat).
- 6) The lack of infrastructure, low industrialization, and policy barriers are the main causes of the comparatively low investment in the northern and eastern Indian states of Bihar, Jharkhand, Madhya Pradesh, and Odisha.
- 7) The Northeast Indian states still lack the logistics and technology infrastructure needed for foreign investment.
- 8) In Gujarat, Karnataka, and Maharashtra, smart cities, industrial corridors, and metro projects have all contributed to an increase in investment.
- 9) To draw in foreign investors, Tamil Nadu and Telangana have enhanced state-level regulations in the electronics and IT industries.
- 10) Since 2019, the services sector has accounted for 57% of foreign direct investment in India, followed by manufacturing at about 30% and agriculture-related sectors at less than 2%.
- 11) Despite the COVID-19 pandemic, foreign direct investment inflows have remained steady in Maharashtra and Karnataka, whereas investment has decreased in other states.
- 12) States that rank highest on the "Ease of Doing Business" scale, a measure of policy coherence, show growth in foreign direct investment.
- 13) Maharashtra, Gujarat, and Uttar Pradesh's manufacturing industries now have new investment prospects thanks to the "Make in India" and "Production-Linked Incentive (PLI)" programs.

14) Throughout this time, the share of pharmaceuticals, renewable energy, and high-tech industries in total foreign direct investment has risen steadily.

15) State-by-state analysis reveals that foreign direct investment flows are substantially higher in states with robust infrastructure, policies, and administrative transparency.

Table No-02

Economic Impact and State-by-State FDI Flows in India's Big States

State	FDI Inflow (2015–2024)	Key Sectors	Growth Rate (%)	Economic Impact	Major Factors
Maharashtra	₹12.8 lakh crore	Financial services, IT, Automotive, Real estate	22%	Highest contribution to employment generation and GDP	Mumbai–Pune Industrial Corridor, Special Economic Zones, Policy stability
Karnataka	₹10.2 lakh crore	IT, Electronics, Research & Development, Startups	19%	Technology transfer and development of high-quality human capital	Bengaluru Technology Hub, Research ecosystem
Gujarat	₹8.5 lakh crore	Manufacturing, Infrastructure, Chemicals	23%	Rapid growth in industrial investment	Business-friendly environment, Port facilities
Delhi–NCR	₹6.1 lakh crore	Services, Financial institutions, IT	15%	High employment growth in the services sector	Administrative hub and proximity to major consumer markets
Tamil Nadu	₹4.5 lakh crore	Automotive, Electronics, Textiles	17%	Expansion of the manufacturing sector	Skilled workforce, Industry-friendly policies
Telangana	₹3.8 lakh crore	Pharmaceuticals, IT, Healthcare	18%	Growth in biotechnology and healthcare industries	Hyderabad Bio-cluster and R&D facilities
Odisha	₹1.9 lakh crore	Steel, Minerals, Energy	12%	Expansion of regional industrialization	Resource-based investments
Uttar Pradesh	₹1.5 lakh crore	Manufacturing, Electronics	10%	Limited industrial growth	Infrastructure and administrative constraints
Bihar	₹0.6 lakh crore	Agro-based industries	6%	Very low FDI-driven development	Lack of infrastructure and skilled manpower
North-Eastern States	₹0.3 lakh crore	Tourism, Handicrafts, Agriculture	4%	Slow pace of economic development	Geographical constraints and low investment climate

Reference:

1. DPIIT (Department for Promotion of Industry and Internal Trade), FDI Fact Sheet, 2024.
2. RBI Bulletin on State-wise FDI Inflows (2015–2024).
3. Economic Survey of India, 2023–24.
4. UNCTAD World Investment Report, 2024.

6. Points of Comparison:

1) **Leading States in FDI Inflows:** Together, Gujarat, Karnataka, and Maharashtra received roughly 65–70% of all FDI.

2) **Sectoral Differences:**

- The service sector (finance, IT, and telecommunications) has seen greater investment in Maharashtra and Delhi.

- While Karnataka has seen a rise in investment in IT, R&D, and startups, Gujarat has concentrated its investments in infrastructure and manufacturing.

3) Disparities between North and South India:

While investment in northern states is comparatively low, the southern states (Karnataka, Tamil Nadu, and Telangana) are at the forefront of technology and electronics.

4) Barriers in the Northeastern and BIMARU States:

Insufficient infrastructure, a lack of skilled workers, and unclear policies have all contributed to a reduction in FDI inflows into these states.

5) Strategic Competitiveness:

In order to draw in investment, Maharashtra, Gujarat, and Karnataka have effectively put policies like Special Economic Zones (SEZs), single-window clearances, and tax breaks into place.

6) Contribution to Job Creation:

While the northeastern states have made little headway, Maharashtra and Karnataka have experienced the greatest growth in employment in the manufacturing and service industries.

7) Post-COVID-19 Reconstruction:

While the northeastern and BIMARU states have taken longer to receive foreign direct investment (FDI), Maharashtra and Karnataka have recovered quickly.

8) Future Prospects:

While the northeastern states have enormous investment potential in tourism and agriculture-based industries, eastern India (Odisha, West Bengal) offers opportunities for industrial investment based on natural resources.

7) Strategic Competitiveness:

- In order to draw in investment, Maharashtra, Gujarat, and Karnataka have effectively put policies like Special Economic Zones (SEZs), single-window clearances, and tax breaks into place.
- **Contribution to Job Creation:** While the northeastern states have made little headway, Maharashtra and Karnataka have experienced the greatest growth in employment in the manufacturing and service industries.
- **Post-COVID-19 Reconstruction:** While the northeastern and BIMARU states have taken longer to receive foreign direct investment (FDI), Maharashtra and Karnataka have recovered quickly.
- **Future Prospects:** While the northeastern states have enormous investment potential in tourism and agriculture-based industries, eastern India (Odisha, West Bengal) offers opportunities for industrial investment based on natural resources.
- **Land prices and inflation:** Investment in certain regional areas has raised the cost of housing and land, which has had social repercussions as well.
- **Contribution to sustainable development:** Green development has been aided by foreign direct investment (FDI) in the fields of renewable technology, electric vehicles, and green energy.

8. In conclusion

Throughout 2019–2024, foreign direct investment (FDI) flows into India have demonstrated general stability and resilience. India is now one of Asia's top investment destinations because investment flows have persisted even after the pandemic. With a significant presence in the manufacturing, services, and technology sectors, Gujarat, Karnataka, and Maharashtra have become important investment destinations.

State-level inequality is still a significant problem, though. The regional economic balance has been skewed by the extremely low levels of foreign direct investment (FDI) in the Northeast and BIMARU states. Infrastructure development, skill development, and the implementation of policy incentives for these states are all urgently needed.

FDI will be dispersed more fairly in the future if India concentrates on the objective of "balanced regional development." Long-term economic stability will also depend on encouraging foreign investment in digital infrastructure, research-intensive industries, and green investments.

9. References

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